

VZCZCXRO1957
RR RUEHBZ RUEH DU RUEHJO RUEHMR RUEHRN
DE RUEHDR #0204/01 0861009
ZNR UUUUU ZZH
R 271009Z MAR 09
FM AMEMBASSY DAR ES SALAAM
TO RUEHC/SECSTATE WASHDC 8371
INFO RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHJB/AMEMBASSY BUJUMBURA 2847
RUEHKM/AMEMBASSY KAMPALA 3369
RUEHLGB/AMEMBASSY KIGALI 1296
RUEHDJ/AMEMBASSY DJIBOUTI 0004
RUEHNR/AMEMBASSY NAIROBI 1211
RUEHDS/USMISSION USAU ADDIS ABABA
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHLMC/MCC WASHINGTON DC

UNCLAS SECTION 01 OF 02 DAR ES SALAAM 000204

SIPDIS

DEPARTMENT FOR AF/E JLIDDLE, INR FEHRENREICH, AF/EPS
STATE PASS USAID/EA, USTDA, USTR
COMMERCE FOR BECKY ERKUL
NAIROBI FOR FCS

E.O. 12958: N/A

TAGS: [ECON](#) [EIND](#) [EINV](#) [PGOV](#) [TZ](#)

SUBJECT: TANZANIA'S TOURISM SECTOR TAKING A HIT

DAR ES SAL 00000204 001.2 OF 002

11. Summary: Tanzania's tourism sector will be the hardest hit domestic industry during the economic downturn. With its biggest tourist sources, primarily the U.S. and Europe, focused more on the bottom line than on climbing Mt. Kilimanjaro - times are going to get very tough. While the true extent of the decline is difficult to forecast, a decline in bookings presages trouble for the industry through 2010. A new governmental task force is a positive step, but likely will have limited ability to protect the sector or the broader economy. End Summary.

12. Tourism is one of Tanzania's most important industries, currently making up 20 percent of GDP. The Tanzanian Tourism Board estimated that 840,000 visitors spent \$1.3 billion in the country in 12008. Not only is it the largest source of foreign exchange, followed by gold, but the World Economic Forum estimated that in 2007 the tourism industry employed almost 680,000 individuals. While most of the tourism is centered in Tanzania's Northern Circuit (combining the Serengeti, Ngorongoro Crater and Mt. Kilimanjaro), both the island of Zanzibar and Tanzania's Southern Circuit (mainly Selous Game Reserve and Ruaha National Park) are also popular destinations. The combination of game viewing and hunting with beaches and scuba diving allows Tanzania to cater to a broad spectrum of travelers.

Current Situation: Getting Tough

13. Although the government and the private sector disagree over the extent of the decline, it is clear that tourism numbers are dropping. Scott Coles, the local representative for Nomad Tanzania and the Vice Chairman of the Tourism Confederation of Tanzania (TCT), stated that he was seeing, "between a 17 to 30 percent downturn across the sector" for 2009. Leopard Tours, one of the largest safari operators in the Northern Circuit, is projecting an average 41 percent decrease in March, April and May of 2009 relative to 2008. Zanzibar appears to be faring even worse, with many saying they are seeing a 50 percent drop this year.

14. The government-run Tanzania Tourist Board remains more optimistic about the current situation. Claiming that most clients book at least a year in advance, the board's Acting Director, Musa Kopwe, stated that he would "be hearing about it" if local operators were really having a hard time. Confident that the situation in 2009 would not drop by significant numbers, the tourism board only reduced its 2009 forecast by three percent - estimating that 921,500

tourists would still come to Tanzania. Even the Director of the Tanzania National Parks (TANAPA), Gerald Bigurumbe, seems to disagree with the Tanzania Tourist Board; TANAPA expects a 10 percent drop in 2009 visitors on top of a 15 percent decrease in the last half of 2008.

Future: Even Worse

15. Everyone agrees that the second half of 2009 through 2010 will be very bad for the tourism sector, though how bad is unclear. Samai Said, Chairman of the Zanzibar Association of Tourism Investors (ZATI), said forecasting right now is "like throwing a spear in the dark." He knows the numbers will be down, but he has no frame of reference to calculate how the changes in the world market are going to impact Tanzania. Jo Bertone, the co-owner of Naipenda Safaris, stated that although her numbers for 2009 were holding, her bookings for 2010 were down 25 percent and she did not expect that to improve. Leopard Tours expects a "gradual increase starting in July 2009," but this is relative to its 41 percent downturn in early 2009 and is based on two price reductions. Big properties, such as the Serena group of lodges, are dropping prices in the hope of attracting late bookings - at a time when they would normally be fully booked.

Government Intervention - Too Little, Too Late

16. Many in the business community have been clamoring for a decrease in the government park fees. According to an analysis conducted by TCT, Tanzania's fees on average are the highest in the region - almost three times that of Kruger National Park and 25 percent higher than the Masai Mara in Kenya. Tanzania bases these fees largely on the high operating budgets for managing and protecting the animals in the parks. The GOT carefully crafted the fees to draw high-end tourists; by encouraging tourists with a lower

DAR ES SAL 00000204 002.2 OF 002

budget to skip the major attractions tourism's environmental footprint on the major parks is decreased and visitors feel like they are having a more private experience. (Comment: We do not support a decrease in park fees, which, in addition to having at best a slight short-term benefit for tourist numbers, would further undercut TANAPA's dire budget situation. TANAPA already is hamstrung in its essential anti-poaching and maintenance activities. End comment.)

17. To its credit, the GOT has called together a task force to help the tourism industry during the economic downturn. Comprised of industry and government officials, the task force has already held one meeting and will present a plan of action to the Ministry of Tourism and Natural Resources in April. Because TCT's market analysis showed that in 2006 Tanzania's average room rates were USD 112 compared to USD 104 in South Africa and USD 84 in Kenya (both of which in general have better tourist infrastructure and higher service standards), high park fees are not the only issue facing Tanzania in an increasingly competitive travel market. According to Richard Rugimbana, the Executive Secretary of TCT and a task force member, the task force is wisely putting together a plan that includes both governmental and business solutions.

18. Comment. As a relatively immature and expensive tourism market, Tanzania will be hard pressed to respond quickly and effectively to the global slowdown, especially in comparison to its better developed regional competitors. Any government-led action plan at this point is going to be too little and too late to have a significant impact. A substantial decline in this sector is going to be tough for an already weak Tanzanian economy. Jobs are going to be lost and only those businesses with high cash reserves are going to be able to survive. Tanzania's tourist sector can only hope for a rapid rebound in the global economy.

ANDRE